



Government of the Republic of North Macedonia
Ministry of finance

National budgetary framework
- Organic Budget Law

Ministry of Finance
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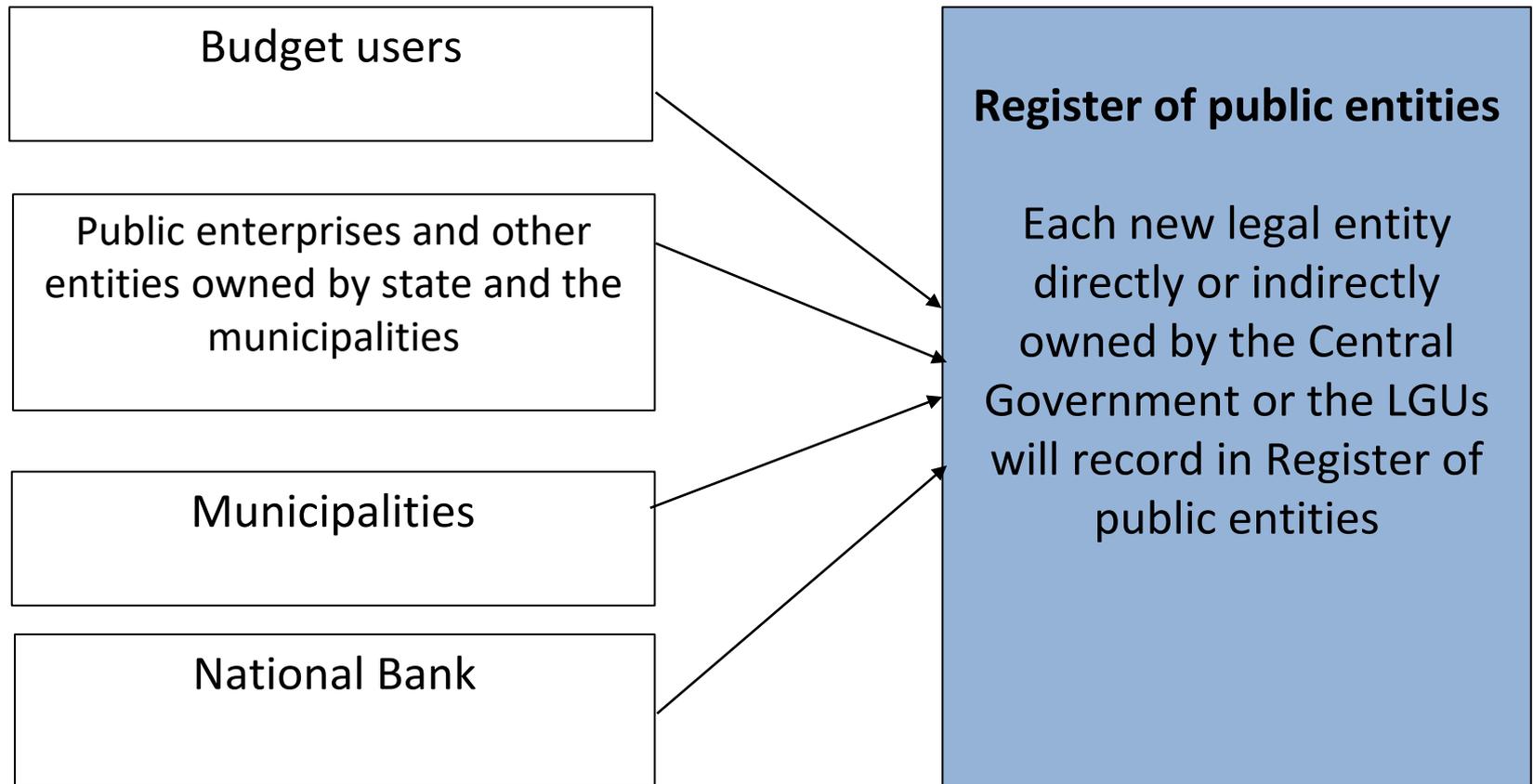
National budgetary framework

➤ **New Organic Budget Law** (adopted 15.09.2022) regulates the following areas:

- ✓ Registry of Public Entities
- ✓ Fiscal rules and principles
- ✓ Fiscal Council
- ✓ Budget classifications
- ✓ Medium term planning and Budget Circular/ Cycle
- ✓ Fiscal Strategy
- ✓ IFMIS
- ✓ Transparency improvement

National budgetary framework– Budget law

Registry of Public Entities - Article 4



National budgetary framework– Budget law - Article 10

Fiscal rules

- General government deficit $\leq 3\%$ of nominal GDP
- Total debt of general government $\leq 60\%$ of nominal GDP
- Guaranteed public debt $\leq 15\%$ of nominal GDP

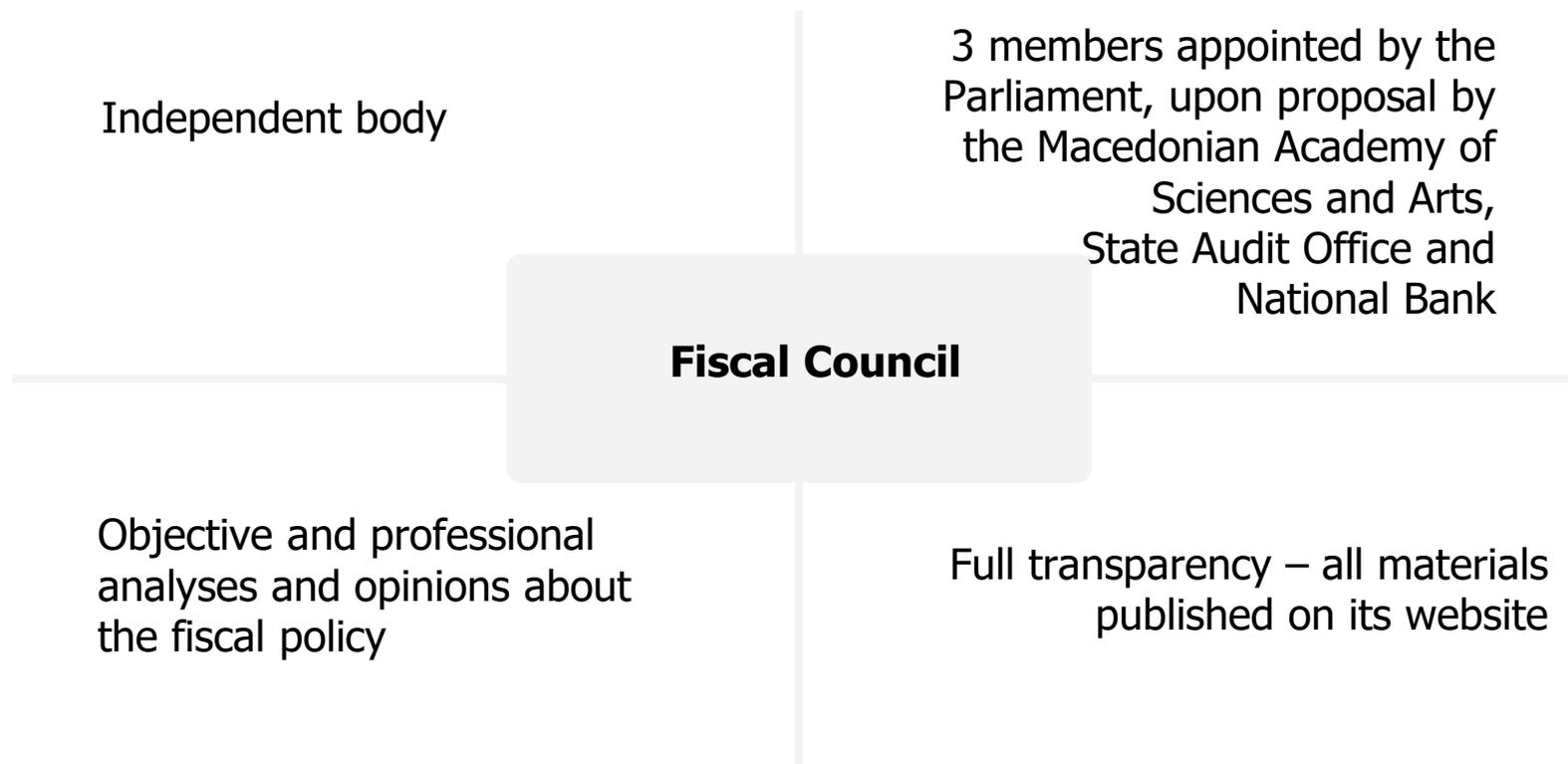
For any deviation from the fiscal rules, the Government shall be obligated to provide a clear explanation to the Parliament, in the first next budget or revised budget, or in the first next Fiscal Strategy.

Deviations from the fiscal rules

- The Law stipulates the specific events - such as
- natural disasters and external shocks on the national security or the lives and health of people,
- state of emergency or crisis, and
- sharp financial or economic shocks with negative or very annual real growth of GDP close to zero, to overcome required significant support from the fiscal policy

National budgetary framework– Budget law

➤ Fiscal Council (Article 11)



National budgetary framework– Budget law Article 5

Budget Classification

Type of classification	Definition
1 Organizational classification	the budget users in a hierarchical organizational structure of related and mutually coordinated entities (parent budget user, segment and budget user)
2 Economic classification	Revenues and other inflows by their nature and expenditures and other outflows by their economic purpose
3 Functional classification	Classifying budget expenditures and other outflows by their functional purposes and objectives/general and specific goals in accordance with the accepted international classification prescribed by the United Nations
4 Program classification	Classification of budget into policies, programs, sub-programs and projects or activities as defined with the planning
5 Classification by sources of financing	classifying revenues and other inflows in groups in relation to the specific types and purposes of expenditures and other outflows

National budgetary framework– Budget law

➤ **Medium-term budget planning** (Article 12-20)

Fiscal policy statement

Strategic planning

Macroeconomic projections

Plan of revenues and inflows

Fiscal Strategy (sub-sectoral approach and limits by parent budget users)

National budgetary framework

Fiscal strategy

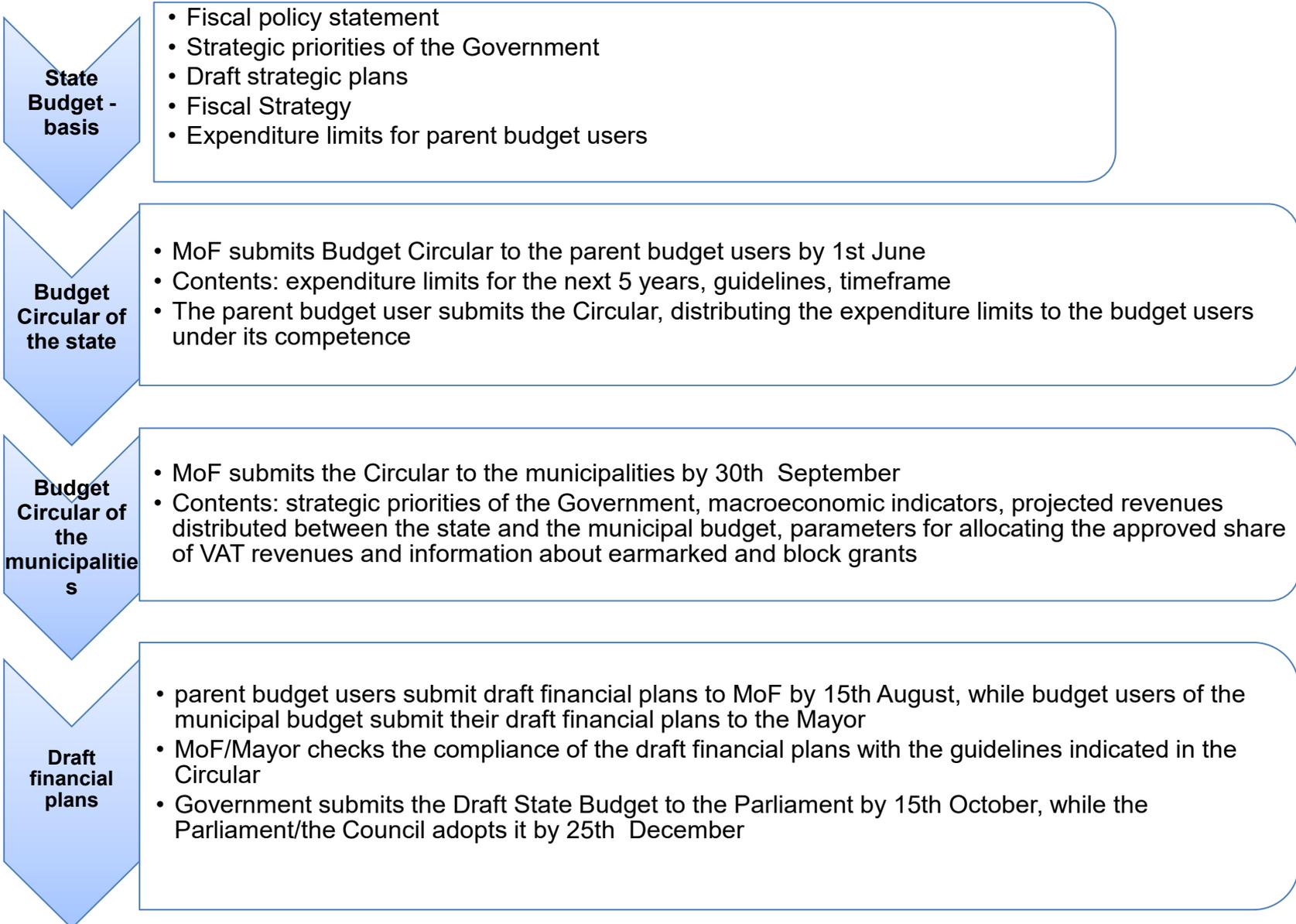
Time frame

- no later than January 15-th MoF publish time frame for preparation of Fiscal strategy
- MoF deliver a circular letter to the parent budget users
- no later than April 15-th Government adopted base line scenario and new initiatives
- no later than April 30-th Government adopted Fiscal strategy with limit by parent budget users
- no later than June 20-th Parliament review the Fiscal strategy

Content

- macroeconomic indicators/developments
- execution on state and local budgets
- projection of state and local budgets for next 5 years
- expenditure limits by budget users
- description of each policy and program
- summary for policy of public
- macro-fiscal risks
- compliance / deviation from the fiscal rules and goals
- description of the use of EU pre-accession assistance

Budget process / Preparation and adoption of Budget –Article 12-37



National budgetary framework Budget law

➤ Budget document (Article 22-25)

General Section

Statement of Revenues
and Expenditures

Statement of
Financial Assets and
Liabilities

Statement of
Borrowing and Debt
Repayment

Special Section

Expenditures and
other outflows from
the financial plans
of the budget users,
presented by
budget
classifications

Multi-annual Projects Section

Planned capital
investments with
duration and total
value of each
capital project with
planned and
executed
expenditures

National budgetary framework Budget law

➤ Transparency (Article 91, 96)



Budget Document



Monthly and semi-annually reports on Budget execution of CG



Aggregate quarterly reports on execution of Budget of LSG's



Consolidated quarterly reports on execution of Budget of GG



Annual Budget Report;
Audit Report by SAO



Citizens budget portal
(budget.finance.gov.mk)



Open finance portal
(open.finance.gov.mk)

National budgetary framework Budget law

➤ Transparency of SOEs (Article 95)



Annual financial and
business plan



Quarterly and semi-
annually financial
reports



Quarterly reports on
arrears



Financial Annual
Report and Audit
Report

National budgetary framework Budget law

➤ **Integrated Public Financial Management information system (IFMIS) (Articles 106-107)**

Aims:

- ✓ Strengthened efficiency and transparency of PFM processes by their centralization in a web-based, digitally advanced shared platform;
- ✓ Enhanced budget discipline, comprehensive recording and active monitoring of payment arrears;
- ✓ Strengthened timeliness and automation and sophistication of budget execution reporting.

Basic modules :

- ▶ Budget planning
- ▶ Budget execution
- ▶ Keeping records for the needs of the treasury ledger system and reporting
- ▶ Debt management
- ▶ Establishment and management of required registries
- ▶ Connecting with other automatic data exchange systems and
- ▶ other necessary components to support the implementation of the Law

Next steps – budget planning

➤ **Enforcement of Organic Budget Law**

- ✓ By-laws for enforcing the new OBL (Article 120) are to be adopted within 24 months from its adoption.
- ✓ Continuous training of the MoF staff through the EU IPA Twinning Project "Strengthening Budget Planning, Execution and Internal Control Functions", on best practices related to the legal provisions to be enforced through by-laws, guidelines, manuals, etc.
- ✓ Expected time of implementation: Q1 2023 - Q4 2024.
- ✓ Technical assistance for drafting the by-laws, budget classifications and developing performance indicators from US Treasury.

Thank you for your attention.